

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Audit Report # 311-17-01
April 27, 2017

Post-Payment Audit of the Comptroller – Treasury Fiscal



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Comptroller — Treasury Fiscal (Treasury Fiscal) purchase transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning June 1, 2015, through May 31, 2016, to determine compliance with applicable state laws.

Treasury Fiscal receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. Treasury Fiscal should implement the recommendations listed in the Detailed Findings of this report. It is Treasury Fiscal's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that Treasury Fiscal's documents comply in the future. Treasury Fiscal must ensure that the findings discussed in this report are resolved.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

- No issues were identified.

Security

The audit included a security review to identify any of Treasury Fiscal's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

The review identified:

- One employee retained the ability to expend funds after termination of employment and retained the security to spend funds after authority expired.

Internal control structure

Treasury Fiscal's internal control structure was reviewed. The review was limited to obtaining an understanding of Treasury Fiscal's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Three employees had the ability to process and release payments through USAS.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of Treasury Fiscal's payroll, purchase and travel transactions was concluded on Nov. 30, 2012.

During the current audit, the following recurring findings were identified:

- Security.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — SECURITY

Employee Retained Security to Expend Funds After Authority Expired and the Ability to Expend Funds after Termination

Finding

Treasury Fiscal failed to remove an employee's security in USAS within the Comptroller's office established deadline and submitted the security request 15 days late. This allowed the employee to retain the authority to approve vouchers electronically in USAS.

The agency also failed to timely remove the employee from Treasury Fiscal's voucher signature cards, and submitted the request 10 days after the employee's termination date. This allowed the employee to retain the ability to approve paper vouchers submitted to the Comptroller's office during that time.

Any payments authorized electronically in USAS or approved paper voucher after the employee's termination of employment would have constituted an unapproved expenditure. Treasury Fiscal stated the person responsible for submitting the requests to the Comptroller's office was not available during the time the employee terminated employment. We queried the payment system and found that no payments were processed or approved by the employee after authority expired or termination.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. In addition, when an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed no later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. Any officer or employee may send the Comptroller's office that notification. See [Texas Administrative Code, Chapter 34, Section 5.61\(k\)](#).

For detailed policies and procedures, see [Establishing and Removing Authority and Security to Approve Expenditures \(FPP B.007\)](#).

Recommendation/Requirement

Treasury Fiscal must ensure compliance with the Comptroller's office procedures for establishing and removing authority and security to approve expenditures in the statewide financial system. In addition, Treasury Fiscal must notify the Comptroller's office in writing and within the established timeline.

Treasury Fiscal Response

Treasury Fiscal will implement an internal procedure for notification of terminations to the Treasury Security team. Updated procedures and controls will ensure that the Treasury Security team establishes and removes security for staff able to approve expenditures in the statewide financial system in accordance with the administrative rule.

DETAILED FINDINGS — INTERNAL CONTROL STRUCTURE

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed expenditure processing and certain limitations that Treasury Fiscal placed on its accounting staff's ability to process expenditures. We reviewed Treasury Fiscal's security access in USAS, Texas Identification Number System (TINS) and its voucher signature cards that were in effect on Nov. 18, 2016.

We did not review or test any internal or compensating controls that Treasury Fiscal may have relating to USAS or TINS security or internal transaction approvals.

The review identified three employees with the ability to process and release payments through USAS without oversight. The results of this review also showed there were no records processed without oversight during the audit period.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person's involvement.

Treasury Fiscal stated this would be a reoccurring audit finding due to the size of the agency, but has made every effort not to process documents without oversight.

Recommendation/Requirement

Treasury Fiscal should review its controls over expenditure processing and segregate each accounting task to the extent possible to ensure that no individual is able to process payment without oversight. Treasury Fiscal should request that a preventative control be enforced for all transactions in USAS. This control will prevent the release of a document that the same user entered or altered. See [*USAS Accounting and Payment Control \(FPP. B.005\)*](#).

Treasury Fiscal Response

Treasury Fiscal is challenged with segregating accounting tasks among a limited number of staff. The division is proactive in reviewing controls over expenditure processing to ensure payments are processed with adequate oversight.

Treasury Fiscal has implemented a preventative control in USAS that prevents staff from entering/changing and releasing the same document.